

November 29, 2011

Direct Energy Marketing Limited
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Attention: Ms. Nicole Black
Senior Manager, AB Regulated Business

**Direct Energy Regulated Services – South
Default Rate Tariff
Gas Charge – December 2011
Application No. 1607915**

1. Direct Energy Regulated Services (DERS), a Business Unit of Direct Energy Marketing Limited, submitted its monthly filing on November 24, 2011, to the Alberta Utilities Commission (the AUC or the Commission) for its proposed gas cost flow-through rate¹ (GCFR) for the month of December 2011 for customers served in the ATCO Gas² South service territory. DERS is the Default Supply Provider for ATCO Gas. The proposed GCFR was \$3.217 per gigajoule (GJ).

2. In Order [U2008-374](#),³ the Commission approved a return margin for DERS. Unlike the GCFR, the return margin is not subject to deferral account treatment through DERS's deferred gas account but is to be recovered with the GCFR through DERS's Rider "F". In Decision [2010-317](#)⁴ the return margin was set at \$0.024/GJ for the period January 1, 2011 to December 31, 2011. In Decision [2011-046](#)⁵ a true-up of the return margin, in the amount of \$0.008/GJ, was approved for the period April 1, 2011 to December 31, 2011. Additionally, DERS was directed to "adjust the December true-up rider in preparation of the December GCFR in order to bring the forecast balance of the remaining DRT Return Margin true-up rider to zero."⁶ Consequently, the DERS South true-up of the return margin is set to \$0.011/GJ for the month of December.

¹ This rate for marketable gas, also known as a gas cost recovery rate (GCRR), is referred to as the gas charge under the *Default Gas Supply Regulation*, AR 184/2003, as amended.

² A division of ATCO Gas and Pipelines Ltd.

³ Order U2008-374: Direct Energy Regulated Services, 2009 Interim Default Rate Tariff and Regulated Rate Tariff, Application No. 1595512, Proceeding ID 134, December 11, 2008.

⁴ Decision 2010-317: Direct Energy Regulated Services, 2009/2010/2011 Default Rate Tariffs and Regulated Rate Tariffs Compliance Filing, Application No. 1605840, Proceeding ID. 468, July 8, 2010.

⁵ Decision 2011-046: Direct Energy Regulated Services, 2009-2010 Default Rate Tariff and Regulated Rate Tariff True-Up Rider Application, Application No. 1606519, Proceeding ID No. 810, February 9, 2011.

⁶ Decision 2011-046, paragraph 34.

3. Directions for determining the GCFR were issued to gas utilities by the Alberta Energy and Utilities Board, predecessor to the AUC, in Decision 2001-75,⁷ and more specifically to ATCO Gas South in Decision 2002-034⁸ and to DERS in Decision 2003-106.⁹ However, in Decision 2009-238¹⁰ DERS was given approval to remove energy related charges for credit costs, working capital, bad debts and penalty revenue from the determination of the GCFR, which resulted in a change to the previously approved deferred gas account procedures for DERS. The change was made effective August 1, 2010 by Decision 2010-317. The respective charges and revenue will continue to be included in DERS's default rate tariff on a forecast basis and recovered through Rider "F". The recovery rate was set at \$0.063/GJ for the period January 1, 2011 to December 31, 2011. DERS will be at risk for the difference between forecast amounts approved by the Commission and actual amounts incurred. In Decision 2011-046 a true-up of the energy related charges, in the amount of \$0.034/GJ, was approved for the period April 1, 2011 to December 31, 2011. Furthermore, DERS was directed to "adjust the December true-up rider in preparation of the December GCFR in order to bring the forecast balance of the remaining DRT Energy Related Cost true-up rider to zero."¹¹ Therefore for the month of December, the DERS South true up margin for the energy related charges is set to \$0.047/GJ.

4. For the month of December 2011, DERS included the following amounts in setting Rider "F" for customers served in the ATCO Gas South service territory:

	\$/GJ
GCFR	3.217
Reasonable return margin	0.024
True-up of reasonable return margin	<u>0.011</u> 0.035
Forecast energy related charges	0.063
True-up of forecast energy related charges	<u>0.047</u> 0.110
Rider "F"	<u>3.362</u>

5. The AUC has reviewed the filing and accepts that the proposed GCFR was calculated on a monthly flow-through basis in accordance with Section 3(5) of the *Default Gas Supply Regulation*, AR 184/2003, as amended. Consequently, the AUC acknowledges for DERS the GCFR of \$3.217/GJ, which is to be applied to all energy sold to customers served by DERS under low use delivery service, mid use delivery service, high use delivery service and irrigation delivery service in the ATCO Gas South service territory during the month of December 2011.

⁷ Decision 2001-75: Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates (Methodology) Proceeding and Gas Rate Unbundling (Unbundling) Proceeding, Part A: GCRR Methodology and Gas Rate Unbundling, Application Nos. 2001040 and 2001093, Files 5680-1 and 5680-2, October 30, 2001.

⁸ Decision 2002-034: ATCO Gas South, GCRR Methodology and Gas Rate Unbundling – Compliance Filing, Application Nos. 1257245 and 1257515, Files 5626-52 and 5626-53, March 21, 2002.

⁹ Decision 2003-106: Direct Energy Regulated Services Electric Regulated Rate Tariff and Gas Default Rate Tariff, Application No. 1302109, December 18, 2003.

¹⁰ Decision 2009-238: Direct Energy Regulated Services 2009/2010/2011 Default Rate Tariffs and Regulated Rate Tariffs, Application No. 1600749, Proceeding ID. 149, December 3, 2009, paragraph 140.

¹¹ Decision 2011-046, paragraph 34.

6. As directed in Decision 2001-75, a 30-day review period was provided to interested parties following the filing of each monthly GCRR in which parties could raise any concerns with the GCRR, price and volume forecasts, and prior period reconciliations. As DERS is the Default Supply Provider for ATCO Gas, the 30-day review period is similarly applicable to the GCRRs requested by DERS.

A handwritten signature in black ink that reads "Derrick Ploof". The signature is written in a cursive style with a large initial 'D'.

Derrick Ploof
Director, Rates – Edmonton
On behalf of the Alberta Utilities Commission